



COMMODITIES FUNDING SPV PLC



1995 - 2021

DataPro Limited

Ground Floor, Foresight House

163-165 Broad Street

By Marina Water Front

☎ 234-1-4605395, 4605396

Email: info@datapronigeria.net

dataprong@gmail.com

Website: www.datapronigeria.net

February, 2021



Commodities Funding SPV Plc

ASSET BACKED COMMERCIAL PAPER RATING

**₦50,000,000,000.00 ASSET BACKED COMMERCIAL PAPER (CP)
ISSUANCE PROGRAMME**

References

AbiodunAdeseyoju, FCA.
AbimbolaAdeseyoju
OladeleAdeoye

SUMMARY

- Rating:

A1+^(CP)

- Report Type:

Asset Backed
Commercial Paper

- Issuer:

Commodities
Funding SPV Plc

- Date Compiled

5-Feb-2021

EVALUATION

VALID TILL: March, 2022

DataPro Rating:	A1 ^(CP)
Security Type:	₦50billion Asset Backed Commercial Paper Notes
Tenor:	15 – 270 days
Rating Outlook:	Stable
Currency:	Naira
Rating Watch:	Applicable

EXECUTIVE SUMMARY

	₦
Loan Principal	50,000,000,000
Credit Enhancement:	
Margin Call Account	10,000,000,000
NIRSAL 50% Guarantee	25,000,000,000
Net Exposure	15,000,000,000
Pledged Collateral Value	50,000,000,000
Collateral/Net Exposure	3.33X

RATING EXPLANATION

The rating of **A1+**^(CP) is assigned to instruments with **EXCELLENT** ability to meet their ongoing obligations.

This report does not represent an offer to trade in securities. It is a reference source and not a substitute for your own judgment. As far as we are aware, this report is based on reliable data and information, but we have not verified this or obtained an independent verification to this effect. We provide no guarantee with respect to accuracy or completeness of the data relied upon, and therefore the conclusions derived from the data. This report has been prepared at the request of, and for the purpose of, our client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person. Finally, DataPro and its employees accept no liability whatsoever for any direct or consequential loss of any kind arising from the use of this document in any way whatsoever.



BACKGROUND

The Commodities Funding **ABCP** Programme is designed to provide Commodity Buyers with short term local currency funding with tenors of up to 270 days for the purpose of bulk purchases of commodities.

The Programme is structured such that the funds will be made available to the commodity buyers from the commencement of the key harvest seasons to ensure that farmers can sell their produce early, thus providing them with liquidity to restock for the new planting season.

Therefore, the programme was established to achieve the following objectives:

Provide farmers with the required certainty in an ecosystem that guarantees:

- secure and early off-take of produce;
- cash at point of sale, thereby providing much needed liquidity for the next planting season; and
- elimination of losses due to storage of produce.

Provide commodity buyers with reliable and sustainable source of optimal funding to:

- cover the purchase of commodities during early harvest period;
- mitigate the expected upward trend in prices;
- release liquidity back into the agricultural sector;
- address issues of cost and uncertainty associated with current funding options available to commodity buyers; and
- Guarantee supply of raw materials/input in commercial quantities at competitive prices.

THE PROGRAMME

The *Issue* is an **Asset Backed Commercial Paper (ABCP)** with a programme size of ~~N~~50,000,000,000 to be issued by **Commodities Funding SPV Plc**.

Commercial Paper Notes issued under the programme shall constitute a senior secured obligation of the **Issuer** and save for certain debts mandatorily preferred by law. The **Notes** shall rank pari passu among

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themselves, and with other present and future senior secured obligations of the **Issuer** outstanding from time to time.

Under the programme, **Commercial Paper Notes** shall be issued in series and each series may comprise one or more tranches.

Financing under the Programme shall be available to businesses operating either as merchants, processors, packaging and distribution firms along the food/agro commodity processing value chain. Unless in the case where an Obligor derives some form of patronage/backstop forms of credit support from another entity, the requirements for eligibility by an Obligor are as follow:

- Companies engaged in the food and agro commodity processing and merchant dealing in commodities servicing the local market or export market including but not limited to aggregators, processors, packaging and distributors/retailers;
- Revenue must be at least 3x the facility applied for;
- Evidence of compliance with all regulatory and/or operational/product licenses/requirements e.g. National Agency for Food and Drug Administration and Control (NAFDAC) and Standards Organisation of Nigeria (SON);
- Maintain a corporate governance framework in accordance with international best practices;
- Demonstrate profitability of the business in its last 3 years of operations;
- Have a minimum authorised and issued share capital of ₦100,000,000
- Shall at the time of onboarding to the programme have no pending litigation or legal proceeding against the company.

Notwithstanding the above requirements, the Originator may require additional information/documentation from intending Obligors.



THE TRANSACTION PARTIES

• THE ISSUER

Commodities Funding SPV Plc ("The Issuer") is a public limited liability company incorporated in September 2020 under the laws of Nigeria with its registered office in Ikoyi, Lagos. The company is a Special Purpose Vehicle with no subsidiaries or affiliates.

The principal activities of **Commodities Funding SPV Plc** is to issue securities, raise money, grant security over its assets, being the rights to the Loan Receivables and any Security assigned to it by **Citihomes Finance Company Limited**.

The directors of the Issuer are: **Adegbenga Alamu, Mamedu Omes** and **Ajibose Ololade**.

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- | | |
|--|---|
| 1. Name: | Adegbenga Alamu |
| Experience (Years): | 21 years |
| Education/Professional Qualification: | <ul style="list-style-type: none"> •B. Sc - Obafemi Awolowo University •MBA - Lagos Business School |
| Current/Previous Appointments: | <ul style="list-style-type: none"> •Citihomes Finance Company Limited •AIM Group •Gulf Bank Plc •IBTC Chartered Bank (StanbicIBTC) •TrustBond Mortgage Bank Plc •HomeBase Mortgage Bank |
| 2. Name: | Mamedu Omes |
| Experience (Years): | 5years |
| Qualification: | <ul style="list-style-type: none"> •LLB-University of Ibadan |
| Current/Previous Appointments: | <ul style="list-style-type: none"> •Supreme Court of Nigeria |
| 3. Name: | Ololade Ajibose |
| Experience (Years): | 12 years |
| Education/Professional Qualification: | <ul style="list-style-type: none"> •LLB - University ofLagos •LLM- University of Hull, UK |
| Current/Previous Appointments: | <ul style="list-style-type: none"> •Oando Marketing Plc |

- Akin Ibidapo-Obe and Co
- Adedeji Owotomo & Associates

• THE ORIGINATOR/SERVICER/SELLER

CitiHomes Finance Company Limited ("The Originator" or "The Seller") is a licensed Financial Institution set up to carry out finance activities in Nigeria. It was incorporated as a Private Limited Liability company in 1991 and licensed in March 1992 by the **Central Bank of Nigeria** as a **Primary Mortgage Institution**. It commenced operations in the same period and changed to **CitiHomes Savings and Loans Limited**. The Originator was subsequently acquired by **Dunn Loren Merrifield Group** in 2014 and upon acquisition, the name of the company was changed to **CitiHomes Finance Company Limited**.

CitiHomes Finance Company Limited shall act as **Servicer** under this **Issue** and shall be responsible for administering the collection of loan repayments from Obligors and remitting these payments to the Issuer for distribution to Noteholders and other Secured Parties.

• THE COLLATERAL MANAGER/AGGREGATOR

AFEX Commodities Exchange Ltd: This is the appointed Collateral Manager under the Programme which responsibilities shall include to manage and store the commodities on behalf of the Obligors/Commodity Buyers. AFEX has the option of acting as an Aggregator under the Programme which responsibility shall include purchasing Commodities on behalf of the Originator.

• THE GUARANTOR

NIRSAL is a US\$500million Non-Bank Financial Institution wholly owned by the **Central Bank of Nigeria**. It was created to Redefine, Dimension, Measure, Re-Price and Share agribusiness-related credit risks in Nigeria. The company was established in collaboration with the **Federal Ministry of Agriculture and Rural Development (FMARD)** and **Nigerian Bankers' Committee** in 2013.

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The principal activity of **NIRSAL** is **Credit Risk Guarantee (CRG)** which is an instrument issued to protect financiers and investors from possible losses in a finance/credit transaction. This is done through a risk sharing arrangement under which **NIRSAL** indemnifies the lender or investor of the Principal and accrued Interest to the limit of a pre-agreed **CRG rate**. The offer of the **NIRSAL CRG** serves as a comfort to financiers and investors thereby encouraging them to lend to the agribusiness

The **Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)** shall be the Guarantor to the Issue. The company shall provide a partial credit risk guarantee in respect of Loans disbursed to the Originator under the Programme. It shall irrevocably undertake to reimburse the Originator up to 50% of principal outstanding and accrued interest in the case that an Obligors defaults in meeting its repayments obligations under a loan.

• **THE TRUSTEES**

DLM Trust Company is a registered trustee to represent the Noteholders interest under the Programme and ensure the Programme is operated in accordance with the Transaction Documents as well as hold security created under the Programme on behalf of the investors and Secured Parties.

TRANSACTION STRUCTURE

The Transaction structure relates to raising of funds for the purpose of working capital requirements of the Obligors by the Issuer. The fund shall be raised through the issuance of **Asset Backed Commercial Paper Notes**.

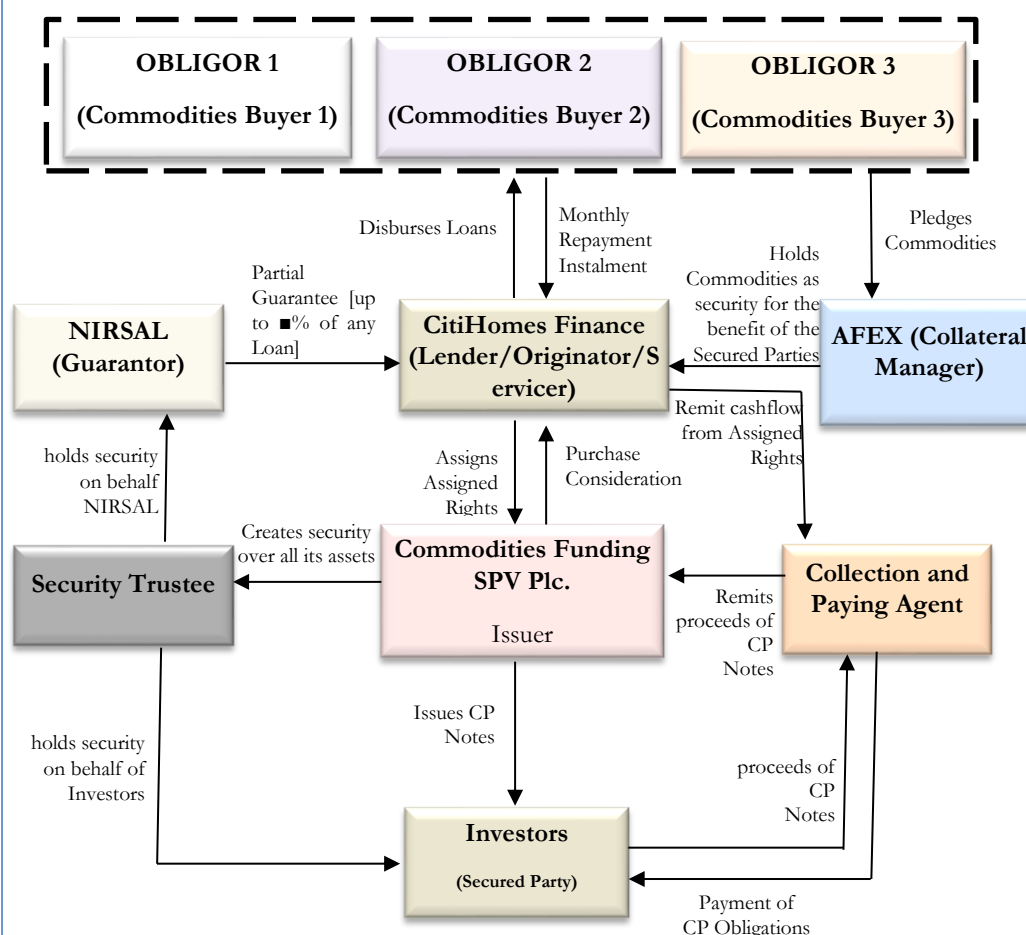
However, the Issue shall have the benefit of a partial guarantee of up to 50% of the payment obligations provided by **NIRSAL** subject to the terms of the **Credit Risk Guarantee (CRG)**. Other Credit enhancements include Excess Spread and Implied overcollateralisation structure. These enhancements shall provide coverage for the payment obligations and



absorb losses of the Issuer at any point in time under all issuances under the Programme.

The transaction structure is graphically illustrated as follows:

TRANSACTION STRUCTURE



Source: Commodities Funding SPV Plc

The Transaction Structure shall be governed by the following major Agreements.

- **Receivables Purchase Agreement:** This is an agreement between the **Issuer** and the **Seller** in which the **Seller** agrees to assign to the **Issuer**, without recourse, all of its right, title and interest in the Facility Agreement including the Loan Receivables and any security attached and/or credit protection thereto.

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- **Facility Agreement:** This is an agreement between the Originator and the obligors in which the originator shall from time to time make available to the Obligor Loans of an aggregate amount up to the value of the Purchase Price for the purpose of financing the purchase of Commodities.
- **Collateral Management Agreement:** This is an agreement between the obligor, Seller and Collateral Manager in which the Obligor shall appoint the Collateral Manager to handle, store and manage the warehousing of the Commodities.
- **CP Trust Deed:** This is the agreement between the Issuer and the Trustee which sets out the terms, conditions and covenants governing the Issue.

FINANCE STRUCTURE

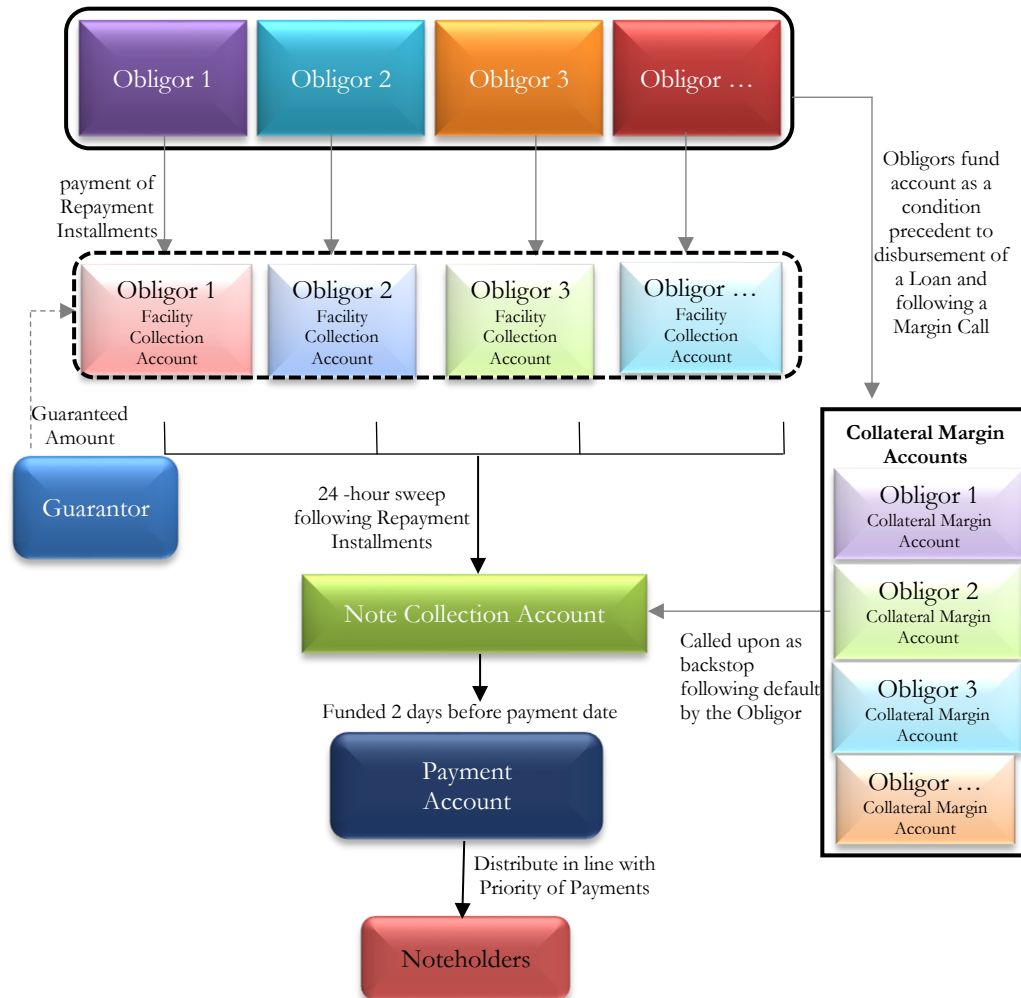
Repayment under the Issue shall be sourced from the Fund accruing from the Assigned Rights, which includes the monthly principal repayment and interest paid by the Obligors.

The following account shall be established and managed by the Trustees under the programme: **Facility Collections Account, Collateral Margin Account, Note Collections Account, Payment Account and Disbursement Account.**

The summary of the Transaction Accounts and how collections from the purchased Loan Receivables are transmitted through the Transaction Accounts is graphically illustrated:



FINANCESTRUCTURE



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Source: Commodities Funding SPV Plc

Collateral Margin Account: The account shall be an interest-bearing account held in the name of the Obligor. The Obligors shall be required to pay the Collateral Margin Required Deposit into the **Collateral Margin Account**.

Disbursement Account: The account shall be an interest-bearing account and established in the name of the Obligor. It is the account from which the **Originator** shall disburse the Loan Amount under the **Facility Agreement** to the applicable **Disbursement Account** for each Obligor participating in any round of financing. The funds in the **Disbursement Account** of each Obligor shall be used by the **Aggregator**, to purchase Commodities on behalf of the **Obligor**.

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Facility Collection Account: This is the account in which all repayments installments due under the **Facility Agreement** are paid into by Obligors participating in any round of financing.

Note Collection Account: The account will act as a master collections account into which all the Repayment Installments from each Obligor under any round of financing (CP Series) shall be consolidated. All monies standing to the credit of the Facility Collections Account shall be swept into the **Note Collections Account** within 24hrs of receipt.

Payment Account: The account shall be established in the name of **Note Trustee**. It shall be credited from the **Note Collection Account** the relevant amount required to service the Issuer's payment obligations on such relevant Payment Date under the applicable series.

TARGET COMMODITIES AND PRICING PERFORMANCES

The target commodities are liquid and tradable commodities with year-round demands necessary to stimulate trades. These commodities include: Soybean, Maize, Paddy Rice and Cocoa. The programme may admit other commodities subject to such commodities being cash crops and traded (listed) on the AFEX (or any other) Commodities Exchange.

SOYBEAN HISTORICAL PRICE PERFORMANCE (2016-2020)

Soybean Price Performance Analysis	
Total Days	1358
No days Price Change	1098
Day Change	260
Up Change	132
Down change	128
Max	36.09%
Min	-28.35%
Price Stab. (%)	80.85%

Source: DLM

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MAIZE HISTORICAL PRICE PERFORMANCE (2016-2020)

Price Performance Analysis	
Total Days	1358
No days Price Change	886
No Day Change	472
Up Change	240
Down change	232
Max up price change	30.99%
Min price change	-32.27%
Price Stab. (%)	65.24%

Source: DLM**PADDY RICE HISTORICAL PRICE PERFORMANCE (2016-2020)**

Paddy Rice Price Performance Analysis	
Total Days	1,358
No Days Price Change	1,061
No Day Change	297
Up Change	127
Down change	170
Max	28.98%
Min	-13.94%
Price Stab. (%)	78.13%

Source: DLM**ISSUE QUALITY**

The following qualities were observed during our review:

- The ability of the **Collateral Manager** to manage and preserve quality of commodity deposited in its warehouses.
- The experience of the **Issuer** and the **Arranger** in similar transactions.
- The Governance Structure around the **Issue** and the establishment of **Collateral Margin Account**.
- The Noteholders have a direct senior secured obligation owed to them by the **Issuer**.
- The Issue rank pari-passu with other senior obligations of the **Issuer**.

- The **Debt Coverage Ratio** of 3.33X at the point of initiating a loan with an obligor considering the Value of Pledged Asset to the Issue Net Exposure.
- Average Cover over the life of the loan which is in excess of 10X
- The 50% partial guarantee provided by **NIRSAL**

RISK FACTOR

In the course of our review of the documents, we observed the following risk factors:

• MARKET RISK

This is the risk arising from the inability to find appropriate market in terms of demand and pricing for the commodity underlining the issue programme.

Repayment of obligation under the Issue is largely dependent on the resale of commodity under the **ABCP** programme. Consequently, lack of demand or inappropriate pricing may affect repayment of obligations.

CONCLUSION

We have reviewed the document relating to the **ABCP**. Particular attention was paid to the credit enhancements, historical price stability of underlying commodities and ability of **the Issue** to generate adequate Cash during the life of the **ABCP**.

Considerations were also given to the Transaction Structure and various Agreements under the Programme.

Consequently, we consider the Issue an **"Investment Grade"**

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**Signed:**

Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 16th February, 2021

For and on behalf of:

DataPro Limited

Ground Floor, Foresight House
 163/165 Broad Street, Lagos Island, Lagos.

Tel: 234-1-4605395-6

Email: info@datapronigeria.net, dataprong@gmail.com

Website: www.datapronigeria.net

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Commercial Paper Rating Definition

Rating	Explanation
Investment Grade	
A1+	Assigned to instruments with Excellent ability to meet their ongoing obligations.
A1	Assigned to instruments with Very Good ability to meet their ongoing obligations.
A1-	Assigned to instruments with Good ability to meet their ongoing obligation.
Non-Investment Grade	
1B	Assigned to instruments with Fair ability to meet their current obligations, but their financial strength is vulnerable to adverse changes in economic conditions.
2B	Assigned to instruments with Marginal ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
C	Assigned to instruments with Weak ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
D	Assigned to instruments with Poor ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.

